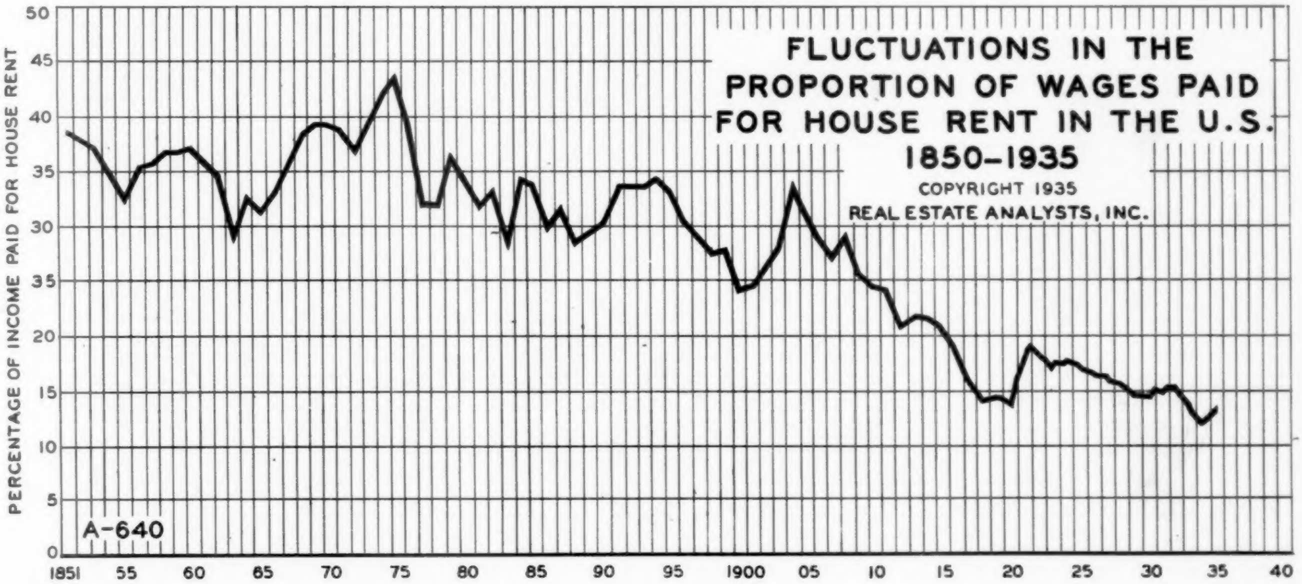
The Real Estate ANALYST



CAN RENTS INCREASE MATERIALLY DURING THE NEXT TWO YEARS?

WHENEVER we forecast an increase in residential rents, we receive queries about as follows, "How can people pay higher rents when they are unable to meet present ones?" We discussed this a year ago in the Real Estate Analyst but believe that the question is now of sufficient importance to warrant a more complete discussion.

The money which is currently being paid in rent comes from one or more of the following sources: 1. Wage or salary payments; 2. Income from investments; 3. Savings; 4. Charity or relief payments.

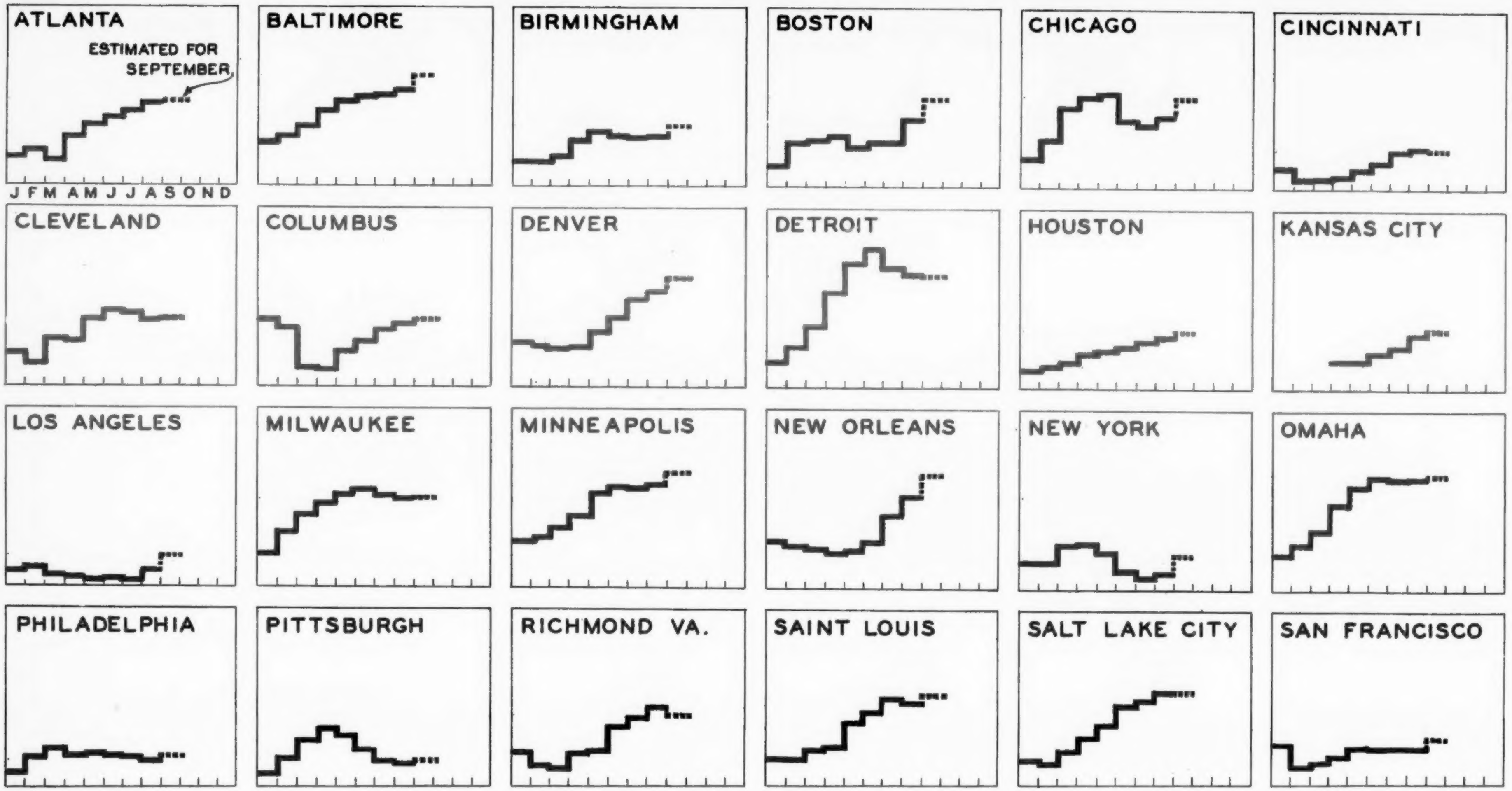
It seems to us that any intelligent reply must consider separately the possibilities of these various sources together with those other strictly real estate factors which would make for higher rent levels.

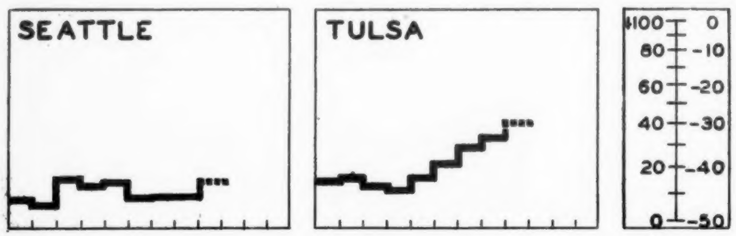
Wage and salary payments have dropped materially during the depression--in certain lines of work far more than in others. Those who have been fortunate enough, however, to keep their jobs during this period have, on the average, found that dwelling rents declined further than wages and that now they are paying a smaller percentage of their earnings for rent than they did at any time in the past.

The chart above shows the percentage of wages paid for rent by industrial workers and those in the lower salary groups from 1850 to the present. Several generations ago the urban worker had to work long hours

(continued on page 444)

AVERAGE ADVERTISED DWELLING RENTS 1935





THE percentage of increase or decrease in the advertised rents for unheated dwelling units in any city can be approximated by using the thermometer scale to the left. Measure all increases from the bottom "0" on the left hand side of the scale and all decreases from the top on the right hand side. For instance, it will be found that from January to June advertised rents in Detroit rose on the chart by a distance which, when measured up on the left hand side of the scale, would indicate a rise of approximately 60%. By measuring the drop in advertised rents in Chicago from May to June and measuring down the same distance on the right hand side of the thermometer scale, it will be found that they declined during the month by between 10% and 15%.

ADVERTISED RENTALS ON DWELLING UNITS

THE Real Estate Analyst computes the average advertised rentals of residential units of various types and sizes each month in the twenty-six metropolitan cities listed below. The figures given are average rentals per month per room for all units of each type, large and small, advertised in the classified columns of the leading newspapers of each city.

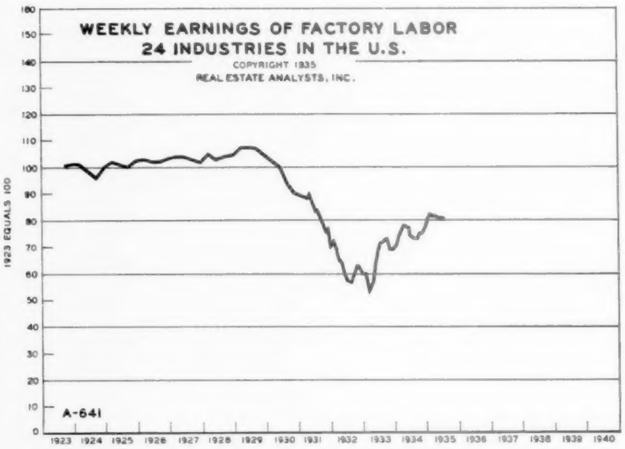
It is to be expected that the average of all places advertised for rent will vary considerably from month to month due to the inclusion some months of a larger number of either high or low priced units. That the trend is definitely up in single family dwellings in most cities is clearly indicated by the figures below. At this season of the year it is impossible to separate accurately the heated units from the unheated. This results in a drop in our index of apartment rents which is not actually experienced. As cooler weather returns and "heat" is again mentioned in the advertisements, this will automatically adjust itself. During the summer months our apartment index has been of little value.

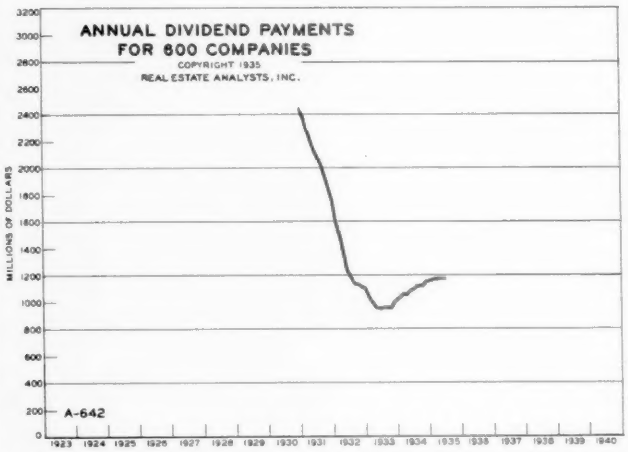
The September figures shown are preliminary ones based on the advertisements appearing during the first two weeks of the month. These will be corrected to the final figure in the October issue.

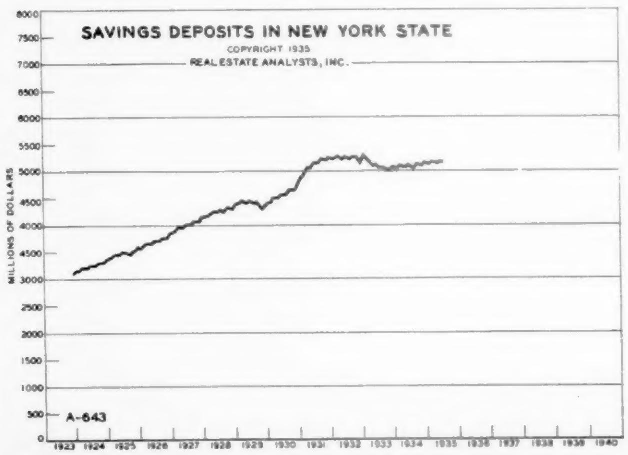
CITY	SINGLE FAMILY									APARTMENTS								
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	*Sept	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	*Sept
Atlanta	$5.66	$5.74	$5.56	$6.14	$6.47	$6.62	$6.78	$6.93	$7.11	$8.42	$9.80	$9.90	$9.65	$9.52	$9.38	$9.58	$9.68	$9.99
Baltimore	4.86	4.98	5.19	5.51	5.77	5.86	5.88	6.10	6.35	10.83	11.27	12.09	12.23	11.79	10.88	10.72	11.04	11.53
Birmingham	4.43	4.43	4.57	4.85	5.01	4.96	4.90	4.94	5.11	8.36	8.62	8.63	8.38	8.12	7.93	7.63	7.61	7.89
Boston	6.04	6.65	6.70	6.85	6.51	6.69	6.68	7.34	7.97	9.55	11.75	11.36	11.16	10.44	10.12	10.40	11.59	12.72
Chicago	7.99	8.59	9.86	10.34	10.46	9.21	8.94	9.39	10.22	11.68	12.32	11.86	11.79	11.49	10.88	10.92	11.04	11.12
Cincinnati	7.66	7.33	7.33	7.35	7.60	7.83	8.14	8.20	8.17	10.70	10.82	10.67	10.30	9.93	9.57	9.72	10.10	10.83
Cleveland	6.93	6.64	7.34	7.29	7.95	8.18	8.02	7.88	7.94	8.43	9.24	9.84	9.84	9.14	8.26	8.22	8.49	8.90
Columbus	5.31	5.17	4.35	4.35	4.65	4.88	5.07	5.21	5.30	9.01	9.09	8.89	9.22	8.40	8.06	7.56	7.52	8.00
Denver	4.89	4.78	4.72	4.75	5.08	5.39	5.75	6.07	6.34	9.70	9.88	10.08	10.14	9.76	9.24	9.40	9.60	9.92
Detroit	5.73	6.02	6.60	7.67	8.59	9.13	8.40	8.18	8.10	9.60	10.08	10.47	10.37	10.36	10.00	9.65	9.45	9.52
Houston	6.44	6.53	6.69	6.96	7.02	7.18	7.32	7.39	7.53	8.68	8.38	8.63	8.66	8.13	7.20	7.39	7.54	7.73
Kansas City	-	-	-	4.51	4.51	4.64	4.79	4.98	5.13	-	-	-	7.05	6.65	6.24	6.18	6.36	6.52
Los Angeles	8.43	8.52	8.33	8.29	8.12	8.13	8.02	8.45	8.91	10.23	9.76	10.38	11.18	11.28	10.85	10.43	11.11	11.44
Milwaukee	6.94	7.60	8.21	8.58	8.91	9.08	8.81	8.61	8.66	9.32	9.70	9.97	9.83	9.91	9.70	9.56	9.63	9.91
Minneapolis	4.89	4.97	5.19	5.39	5.94	6.08	6.06	6.15	6.41	8.89	9.09	9.17	8.81	8.21	8.31	8.06	8.48	8.92
New Orleans	4.87	4.79	4.70	4.65	4.69	4.85	5.39	5.88	6.37	8.23	8.22	8.73	8.21	7.52	7.54	8.01	8.48	8.39
New York	12.20	12.28	13.25	13.32	12.91	11.98	11.59	11.96	12.49	17.29	16.87	16.41	16.77	16.91	17.24	17.10	17.85	18.93
Omaha	4.69	4.86	5.13	5.73	6.15	6.43	6.35	6.37	6.49	10.30	10.29	10.33	10.18	10.45	10.17	9.87	10.13	10.48
Philadelphia	5.38	5.58	5.76	5.58	5.67	5.63	5.63	5.48	5.66	13.66	14.57	14.61	14.22	13.79	13.55	13.24	13.40	13.77
Pittsburgh	6.29	6.72	7.28	7.67	7.43	6.99	6.62	6.52	6.62	8.81	9.43	9.88	10.21	9.91	9.24	8.91	9.02	9.22
Richmond	5.82	5.50	5.42	5.80	5.86	6.45	6.66	7.03	6.70	-	9.56	9.57	9.99	10.23	9.89	9.62	9.66	10.17
Saint Louis	5.69	5.64	5.89	5.97	6.55	6.82	7.24	7.11	7.37	8.62	8.66	8.76	9.07	9.19	9.19	9.22	9.41	9.77
Salt Lake City	4.44	4.39	4.66	4.90	5.18	5.56	5.66	5.76	5.76	9.22	9.08	9.20	8.99	9.08	8.92	9.01	9.06	9.18
San Francisco	7.15	6.50	6.62	6.78	7.07	7.03	7.06	7.07	7.34	11.36	10.92	10.67	10.78	10.67	10.52	10.50	10.82	10.94
Seattle	5.02	4.97	5.33	5.28	5.30	5.05	5.07	5.07	5.34	10.10	10.24	10.21	10.05	9.69	9.51	9.65	10.06	10.26
Tulsa	5.85	5.97	5.77	5.68	5.92	6.21	6.53	6.76	7.17									

*Preliminary

(continued from page 441)
to earn enough for food, clothing, and shelter. Other items could not appear in the family budget, as there was no possible surplus to take care of them. Due, however, to the use of labor saving machinery, the producing capacity of the average worker has been raised steadily during the last seventy-five years, increasing his actual purchasing power and reducing the percentage of his wages that had to be paid for basic necessities of existence. In so far as this has affected the percentage of wages which must be paid for house rent, the gradual drop in the percentage is quite clearly shown on this chart. To us, however, the most interesting thing about this chart is the accelerated drop in the percentage paid for rent during the present depression.







This chart is based on the relative divergence in the fluctuations of average wages and average house rent. During the past few years wages have been falling; but rents have fallen at a faster rate, resulting in the fact that the average wage earner has paid a smaller and smaller percentage of his income for house rent. During the very recent past wages have been rising and rents have stopped dropping but have not yet shown the same percentage of increase shown by incomes. This again has lowered the percentage.

We are now on the verge of a period when rents will rise, at first slowly, then at a more rapid rate than wages. When this period comes, the percentage the average family must pay for rent will again increase. There is no question of the fact that the general public have become so accustomed to a low housing cost during the depression that in many cases they feel that they have a vested interest in depression rents. The family budget has been redistributed, and other items have been getting some of the money formerly spent on housing. It is quite interesting that gasoline consumption at the present time is setting a new high record in spite of the depression.

While a part of the higher rents of the next few years will come from this redistribution of the family income, a greater part will come from an increase in incomes. All recognized

economists are in agreement that from now until 1940, at least, the trend of wages and salaries in practically all lines will be very definitely up. This will be a natural reaction from the depression lows, intensified by the many inflationary measures already in force. The top chart on page 444 shows that this upward movement started some time ago. As wages after every great depression in the past have not only returned to pre-depression levels but have gone above the levels from which they came, it seems silly to suppose that wages in devalued dollars will not eventually go far above the 1923 level.

During the depression many persons--particularly widows, orphans, and elderly people--who formerly lived on incomes from investments found these incomes greatly impaired by the failure of American business to earn profits sufficient to keep up the payments to bondholders and stockholders. While some of these investments have been permanently lost, many large industries are starting to resume payments to the holders of their obligations. The second chart on page 444 shows the fluctuations in the amount of dividend payments during the past twelve years. Again there is no doubt but that increases which have been taking place recently will continue, and at an accelerated rate, as we pull out of the depression. This should help all communities, but especially those typified by certain portions of California and Florida, where the percentage of older persons living on investments is far greater than the average for other portions of the United States.

While, no doubt, the unemployed have used such savings as they had during the period of their unemployment, the fact remains that savings accounts today are still relatively very high. The feeling of uncertainty which has prevailed during the depression has encouraged saving and discouraged spending. When this uncertainty is over, money held in reserve as a cushion against unemployment will be spent for many items whose purchase has been delayed during the period of fear. The renewed industrial activity this spending will bring about will help to furnish the cash necessary for higher rent levels. The variation during the past twelve years in the amount of savings accounts in New York savings banks is shown by the bottom chart on the opposite page.

But how about those who have been depending for their rent money on charity or relief funds? A portion of this group are unemployables. There have always been unemployables in our population. There is no reason for believing that there are many more today than there were in 1925. These people must be carried at either public or private expense. As this was the case in the past, there is no apparent reason for believing it an insuperable obstacle to recovery now. On the other hand, we believe that those now on relief who are able and willing to work will find themselves in demand as soon as a moderate degree of industrial recovery takes place. It is true they will start work with their past savings exhausted, but they will again be earning a living and be able to pay current expenses. Until such time, of course, they must be carried on relief, which will be tapered off gradually over a period of years.

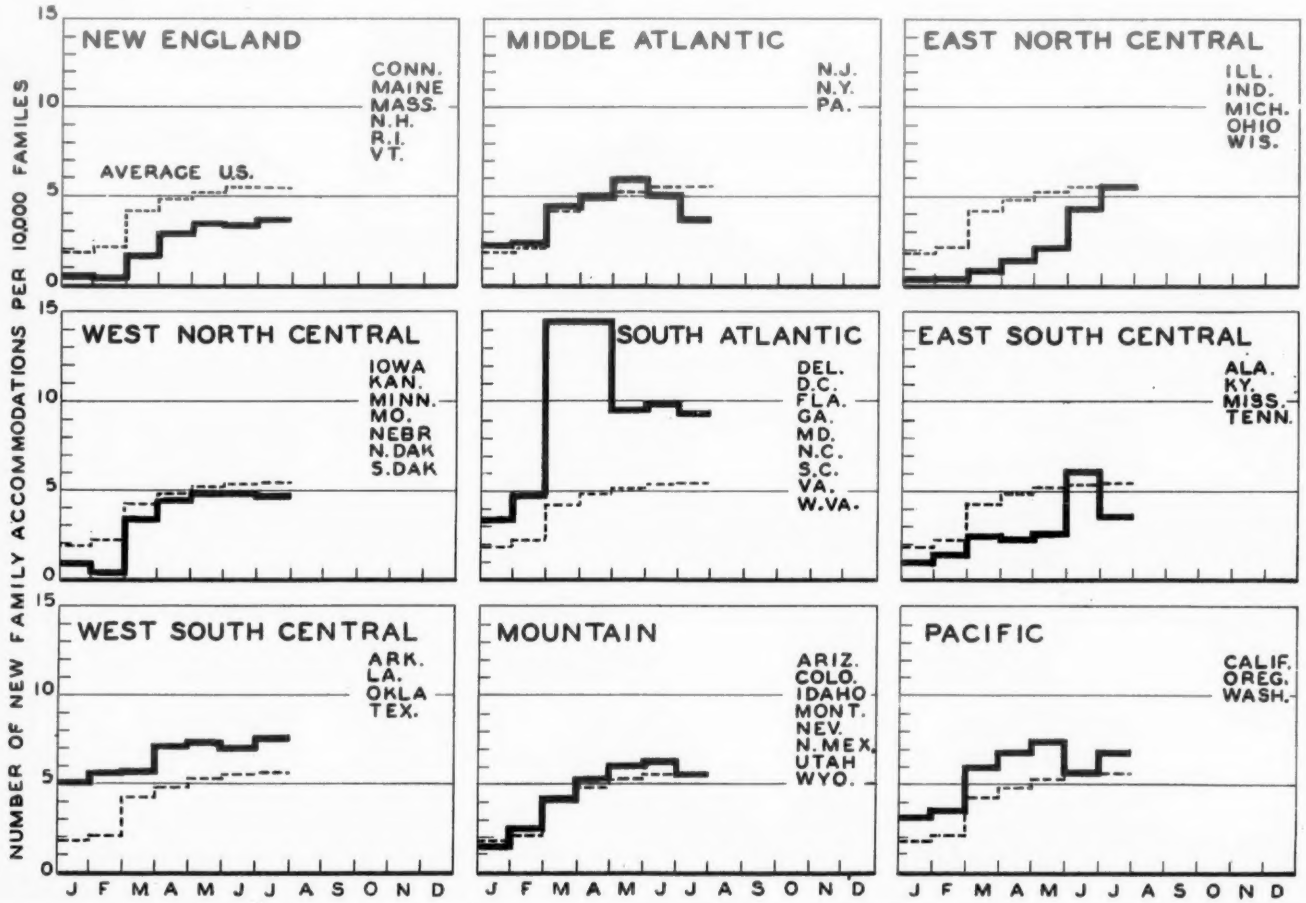
Why are we so certain of industrial recovery and re-employment within a reasonable time? We believe that inflation of at least a moderate variety is inevitable. The monetary provisions already adopted by the

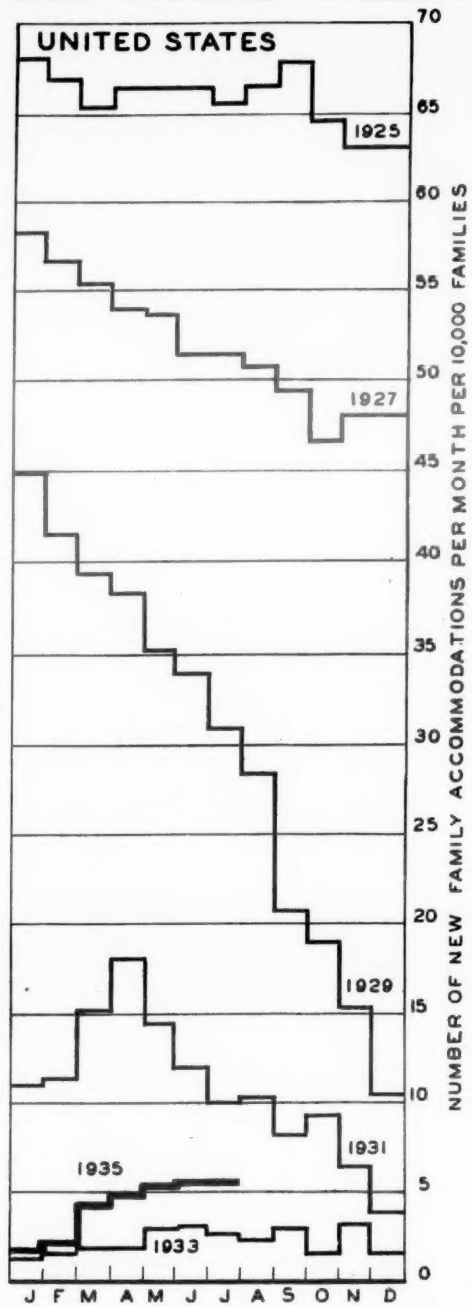
(continued on page 447)

NEW RESIDENTIAL BUILDING IN THE UNITED STATES

THE nine small charts below show the monthly volume of residential building in the various regions of the United States for the first seven months of 1935. The tall chart at the right is drawn to exactly the same scale as the smaller charts and compares the present volume of building in the United States with the volume for a number of past years. In each chart the volume of new building is expressed as the number of new family accommodations provided per month for each ten thousand families. The present average rate in the United States is indicated for comparative purposes on each regional chart by the light line.

It will be noticed that at the present time new family accommodations are being built in the United States at a rate slightly higher than five per month per ten thousand families in contrast with a rate of about sixty-five per month per ten thousand families in 1925.





(continued from page 445)
United States will force credit expansion, with rapidly rising prices and the attendant boom psychology. No country has ever experienced inflation which was not accompanied by increasing prosperity in at least its initial stages.

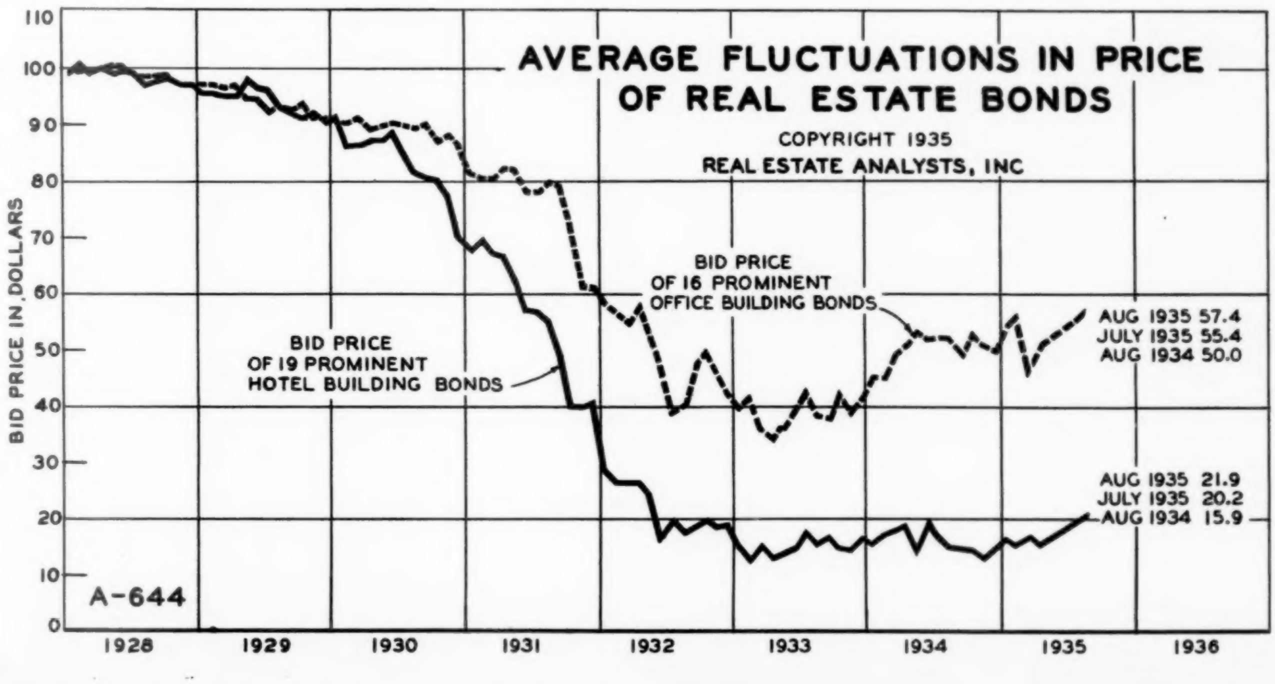
There will undoubtedly be much resistance to higher rents during the next few years, with cries of "profiteering" and insistent demands for rent control. The same cries regarding food prices have not prevented their rise. If the demand for dwelling units is greater than the supply, rents will rise regardless of public opinion.

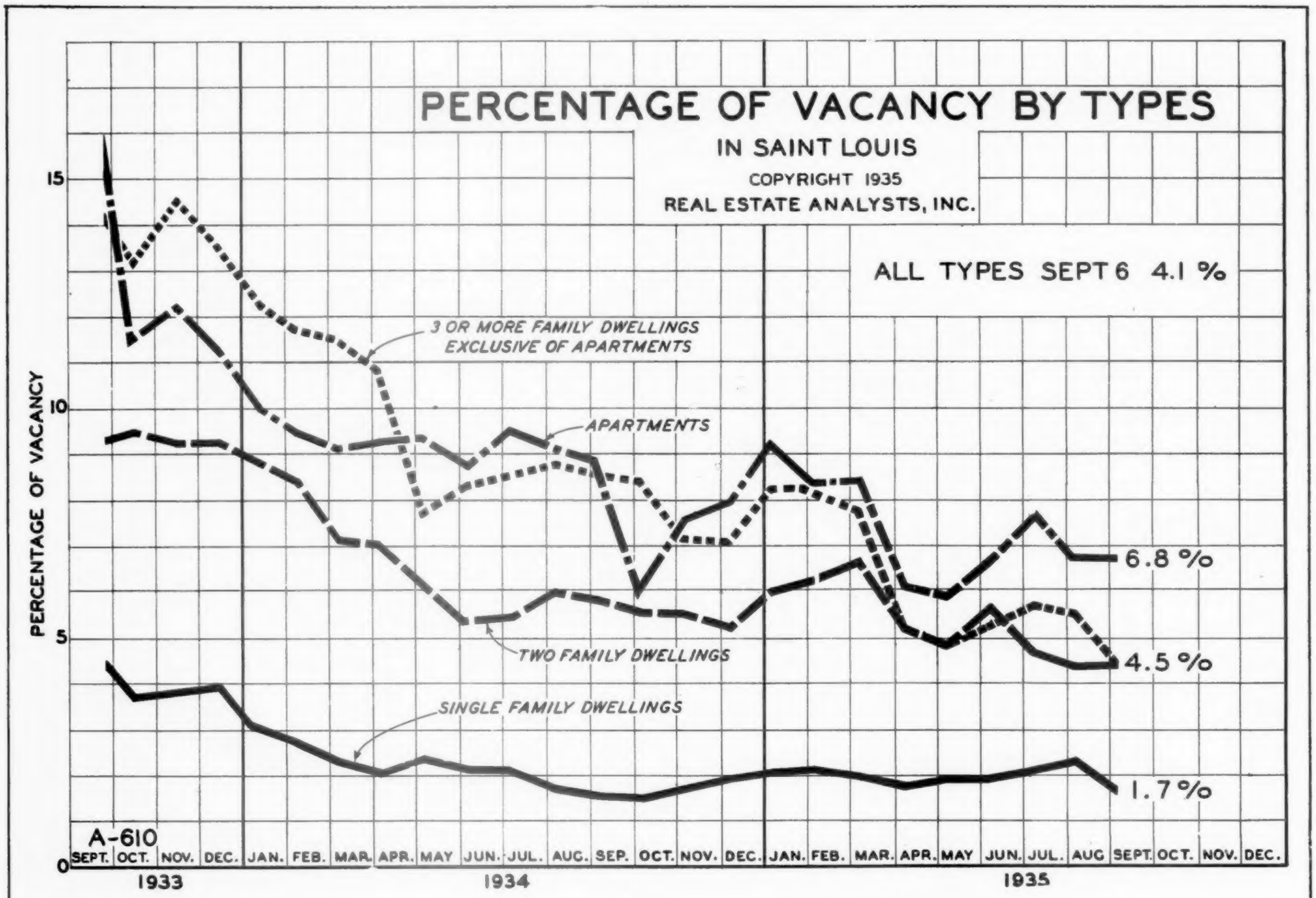
FLUCTUATIONS IN THE PRICES OF REAL ESTATE BONDS

THE chart below shows the average fluctuations month by month in the bid prices of a selected list of office and hotel building real estate bonds. These lists have been compiled including only such buildings on which quotations could be secured monthly. The office building list includes the following buildings: Broadway Motors, Bryant Park, Bush Terminal, Carbide and Carbon, Chesebrough, Chrysler, Cleveland Terminal, Equitable (N.Y.), Graybar, Gramt, Liggett, One LaSalle Street, Postum, Textile, Wanamaker (Phila.), and Woodbridge.

The hotel list is composed of issues of the following corporations: Bowman-Biltmore, Eastern Ambassador Hotel, Eppley Hotels, George Washington Hotels, Hotel Lexington, Hotel Sherman, Hotel St. George, LaSalle Hotel, Lord Baltimore, National Hotel of Cuba; Palace Hotel, San Francisco; Park Central Hotel, Pitts Hotel, Savoy-Plaza, Sevilla-Biltmore, Sherry-Netherland, Stevens Hotel, and Waldorf Astoria.

It will be noticed that bonds on hotel properties have declined by a far greater percentage than have bonds on office buildings. This chart will be brought up to date from time to time to show the developing trends.





TOTAL residential vacancy in Saint Louis dropped by eleven hundred units from August 7 to September 6. This is the largest absorption since March.

The most significant development of the month was the tremendous absorption of units in "four family flats". This absorption together with the absorption of older single family residences was largely responsible for the drop in total vacancy from 4.6% a month ago to 4.1% this month. Apartments and two family dwellings showed little change.

Since November, 1932, 19,105 vacant residential units have been absorbed. A large part of the 9,100 remaining vacancies are not desirable and some of them hardly tenantable.

Month	Vacancy	%	Absorption
November '32	28,207	12.8	
September '33	23,354	10.4	894
October	22,460	10.0	2,010
November	20,450	9.1	-900
December	21,350	9.5	1,102
January '34	20,248	9.1	1,598
February	18,650	8.3	1,100
March	17,550	7.8	900
April	16,650	7.4	1,950
May	14,700	7.5	1,200
June	13,500	6.0	-500
July	14,000	6.3	0
August	14,000	6.3	400
September	13,600	6.1	1,100
October	12,500	5.6	400
November	12,100	5.4	0
December	12,100	5.4	-1800
January '35	13,900	6.2	0
February	13,900	6.2	300
March	13,600	6.1	3,670
April	9,930	4.5	180
May	9,750	4.4	-950
June	10,700	4.8	0
July	10,700	4.8	500
August	10,200	4.6	1,100
September	9,100	4.1	
Absorption since November '32			19,105

CUBIC COSTS

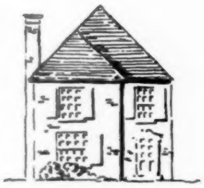
SEPTEMBER 1935

DURING the past ninety days construction costs have advanced. Many items of material have shown increases this fall, and it is no longer possible to get the same quality of workmanship at the depression levels of a year ago. Sales taxes raised material prices slightly in many states during the past few months.

MODERN BRICK BUNGALOW

Bungalow, as shown and described in pages 122 and 123, exclusive of financing and sales commission... **27.6¢**
With hot air heat, subtract........................ 1.4
Without vitrolite in kitchen, subtract............ 0.4
With financing charges and sales commission, add.. 2.0

SINGLE FAMILY TWO-STORY RESIDENCE



Single family residence, described on pages 62 and 63, exclusive of financing and sales commission.... **27.2¢**
With copper guttering, spouting & flashing, add.. 0.4
With variegated slate roofing, add............... 1.0
With hot water heat, add......................... 1.0
Without tile walls in bath, subtract............. 0.5
Without shower & with cheap plumbing, subtract... 0.3
With ordinary millwork, subtract................. 0.6
With financing and sales commission, add......... 2.2

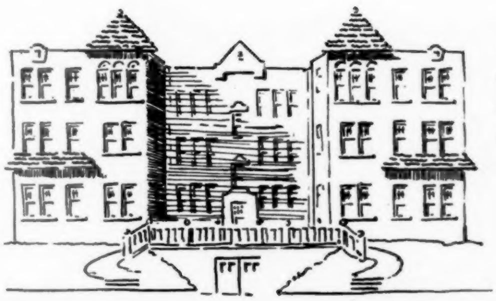
SPECULATIVE FOUR-FAMILY FLAT

Speculative four-family flat as shown and described on pages 72 and 73, excluding cost of financing and sales commission................................ **23.2¢**
With copper guttering, spouting & flashing, add.. 0.1
With steam heat, add............................. 0.7
With tile walls in baths, add.................... 0.6
With showers in baths, add....................... 0.4
With first class plumbing fixtures, add.......... 0.1
With financing and sales commission, add......... 1.8
With first grade roofing, add.................... 0.1

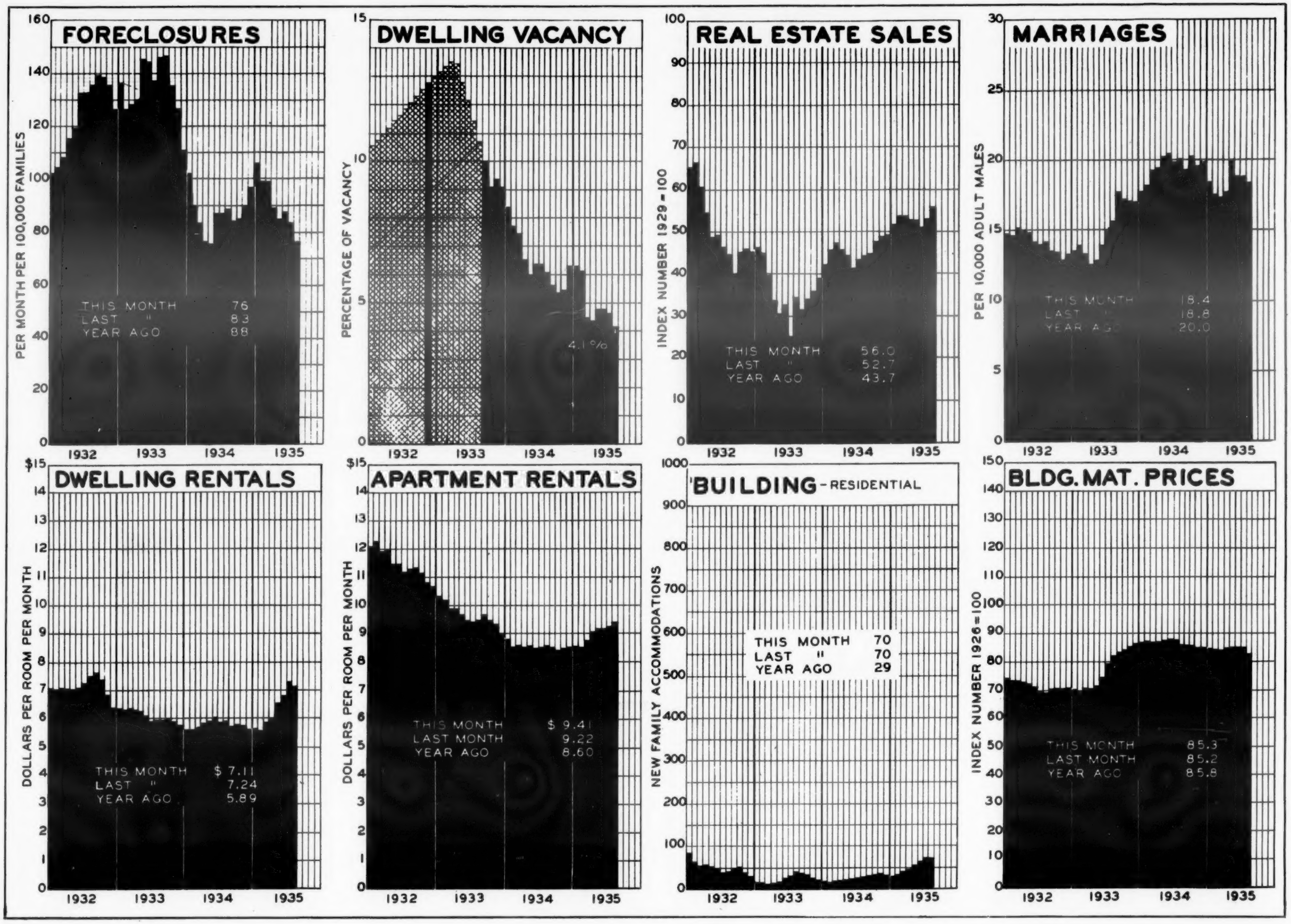
EIGHTEEN-FAMILY MASONRY APARTMENT

Eighteen family masonry apartment, as described on pages 82 and 83, excluding cost of financing and sales commission........ **37.0¢**
With electrical refrigeration, add..... 1.1
With gas stoves, add................... 0.3
With beds, add......................... 0.1
With iron rear porches & steps, add.... 1.2
With financing & sales commission, add. 2.6

THIRTY-FAMILY REINFORCED CONCRETE APARTMENT



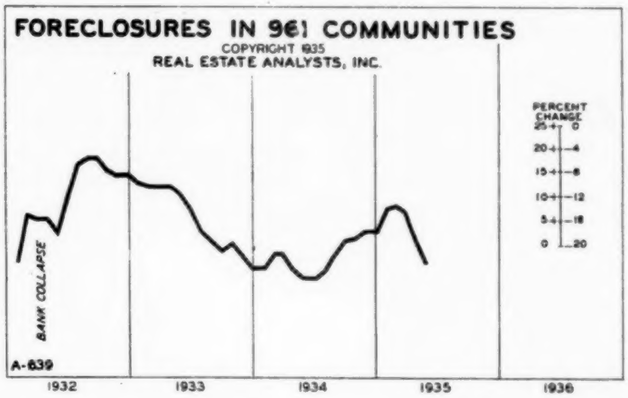
Thirty family reinforced concrete apartment, as shown and described on pages 92 and 93, excluding cost of financing and sales commission.................................. **40.8¢**
With electrical refrigeration, add..... 1.1
With gas stoves, add................... 0.2
With iron rear porches & steps, add.... 1.3
With financing & sales commission, add. 3.0


FORECLOSURES
PER MONTH PER 100,000 FAMILIES
THIS MONTH 76
LAST " 83
YEAR AGO 88
DWELLING VACANCY
PERCENTAGE OF VACANCY
4.1%
REAL ESTATE SALES
INDEX NUMBER 1929 = 100
THIS MONTH 56.0
LAST " 52.7
YEAR AGO 43.7
MARRIAGES
PER 10,000 ADULT MALES
THIS MONTH 18.4
LAST " 18.8
YEAR AGO 20.0
DWELLING RENTALS
DOLLARS PER ROOM PER MONTH
THIS MONTH $ 7.11
LAST " 7.24
YEAR AGO 5.89
APARTMENT RENTALS
DOLLARS PER ROOM PER MONTH
THIS MONTH $ 9.41
LAST MONTH 9.22
YEAR AGO 8.60
BUILDING - RESIDENTIAL
NEW FAMILY ACCOMMODATIONS
THIS MONTH 70
LAST " 70
YEAR AGO 29
BLDG. MAT. PRICES
INDEX NUMBER 1926=100
THIS MONTH 85.3
LAST MONTH 85.2
YEAR AGO 85.8
1932
1933
1934
1935

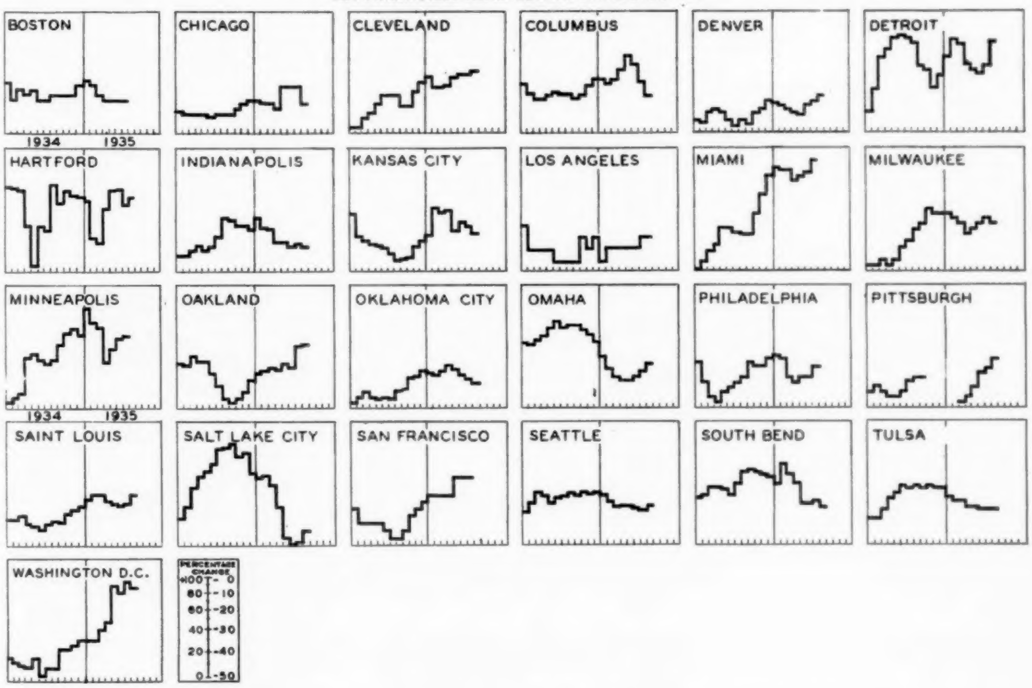
FORECLOSURES IN THE UNITED STATES

THE chart below shows the variation in the number of foreclosures in 961 urban and rural communities in the United States from January, 1932 to July, 1935. The percentage of increase or decrease in the figures from month to month can be read by the use of the small insert scale.

The drop in the foreclosure rate since March is the most rapid we have experienced since the beginning of this depression, exceeding by far the rapidity of the drop in 1933. Further drops are anticipated for the remainder of 1935. We believe these drops are due to a genuine improvement in both the earning and sales value of property.

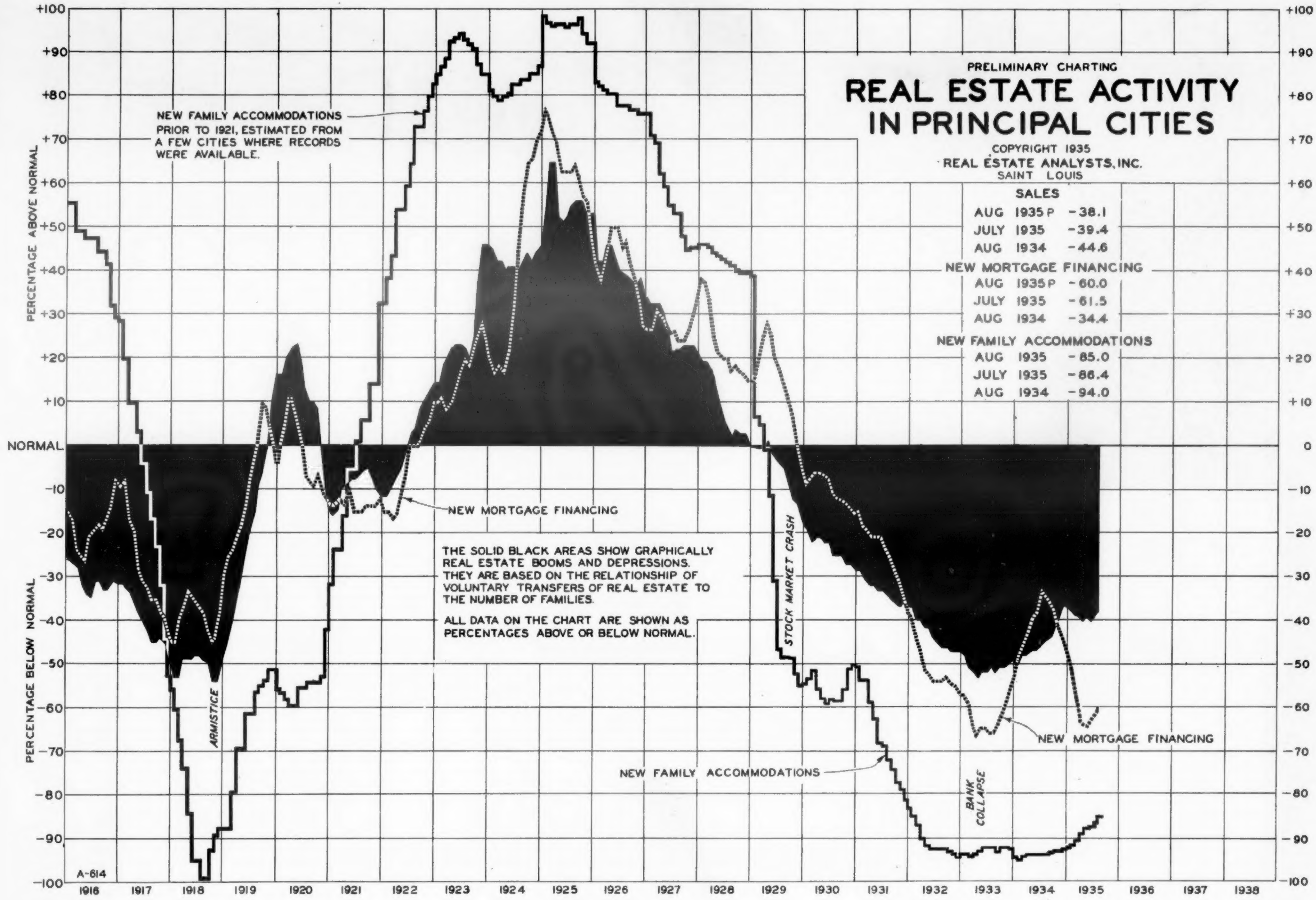


REAL ESTATE TRANSFERS IN PRINCIPAL CITIES 1934-1935



THE small charts above show for twenty-five metropolitan areas the variations in the number of voluntary transfers of real estate for last year and the first eight months of 1935. These figures have been adjusted for seasonal fluctuation.

In a few cities a very pronounced trend is apparent in real estate sales. It is most definite in Washington, D. C., and Miami, Florida. Cleveland has shown a very steady upward movement. Chicago, Oakland, and San Francisco have shown a rather consistent improvement in the last twelve months. A few cities are still below a year ago. In most cities there has been no pronounced trend during the past year. Rents have not apparently advanced enough to make real estate seem desirable to those who wait until the greatest profit has been made before they have courage enough to buy.


PRELIMINARY CHARTING
REAL ESTATE ACTIVITY IN PRINCIPAL CITIES
COPYRIGHT 1935
REAL ESTATE ANALYSTS, INC.
SAINT LOUIS
SALES
AUG 1935 P -38.1
JULY 1935 -39.4
AUG 1934 -44.6
NEW MORTGAGE FINANCING
AUG 1935 P -60.0
JULY 1935 -61.5
AUG 1934 -34.4
NEW FAMILY ACCOMMODATIONS
AUG 1935 -85.0
JULY 1935 -86.4
AUG 1934 -94.0
NEW FAMILY ACCOMMODATIONS PRIOR TO 1921, ESTIMATED FROM A FEW CITIES WHERE RECORDS WERE AVAILABLE.
NEW MORTGAGE FINANCING
THE SOLID BLACK AREAS SHOW GRAPHICALLY REAL ESTATE BOOMS AND DEPRESSIONS. THEY ARE BASED ON THE RELATIONSHIP OF VOLUNTARY TRANSFERS OF REAL ESTATE TO THE NUMBER OF FAMILIES.
ALL DATA ON THE CHART ARE SHOWN AS PERCENTAGES ABOVE OR BELOW NORMAL.
ARMISTICE
STOCK MARKET CRASH
BANK COLLAPSE
NEW FAMILY ACCOMMODATIONS
NEW MORTGAGE FINANCING
PERCENTAGE ABOVE NORMAL
PERCENTAGE BELOW NORMAL
NORMAL
+100
+90
+80
+70
+60
+50
+40
+30
+20
+10
0
-10
-20
-30
-40
-50
-60
-70
-80
-90
-100
1916
1917
1918
1919
1920
1921
1922
1923
1924
1925
1926
1927
1928
1929
1930
1931
1932
1933
1934
1935
1936
1937
1938
A-614